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FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

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E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT:US MEAT IMPORT PROGRAM FOR 1976

REF: STATE 303837

1. SUMMARY. ON MARCH 1, US OUTLINED TO AUSTRALIAN EMBASSY REP. MAIN ELEMENTS OF ITS PROPOSAL FOR A 1976 VOLUNTARY RESTRAINT AGREEMENT WITH AUSTRALIA. US SAID IT SAW RESTRAINT LEVEL OF 624.5 MILLION LBS FOR AUSTRALIA AND EXPLAINED REASONS FOR SHIFTING TO CUSTOMS FROM CENSUS IMPORT DATA IN ADMINISTERING 1976 MEAT PROGRAM. US ALSO INFORMED AUSTRALIA THAT PROVISION FOR REALLOCATION OF EXPORT SHORTFALLS ON REGIONAL BASIS AMONG LATIN AMERICA PARTICIPANTS WAS TO BE ESSENTIAL PART OF 1976 AGREEMENT. AUSTRALIAN REP OBJECTED TO LATIN AMERICAN REALLOCATION PROVISION, SIZE OF PROVISION FOR UNRESTRAINED CANADIAN IMPORTS AND WHAT HE SAW AS INADEQUATE SIZE OF AUSTRALIAN RESTRAINT LEVEL. HE PROMISED TO CONVEY US POSITION AND REPORT AS

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SOON AS POSSIBLE. US STRESSED NEED TO COMPLETE NEGOTIATIONS

BY END OF MARCH. END SUMMARY.

2. EB DEPUTY ASSISTANT SECRETARY KATZ, ALONG WITH USDA REPS, MET MARCH 1 WITH AUSTRALIAN EMBASSY COMMERCIAL

MINISTER SMITH TO OUTLINE MAIN ELEMENTS OF US PROPOSAL FOR BILATERAL VOLUNTARY RESTRAINT AGREEMENT (VRA) ON MEAT EXPORTS TO US MARKET FOR 1976. DISCUSSION FOLLOWED PRELIMINARY MEETINGS HELD EARLIER.

3. KATZ OPENED BY NOTING US FREEDOM OF ACTION WAS PARTICULARLY CONSTRAINED THIS YEAR BY REQUIREMENTS OF MEAT ACT, OTHER POLICY CONSIDERATIONS, AND MARKET CONDITIONS. WITH IMPORT QUOTA TRIGGER LEVEL OF 1233 MILLION LBS. (AS DEFINED BY TERMS OF MEAT ACT) AS BASE AND SETTING ASIDE CONTINGENCY CUSHION OF 13 MILLION LBS AND 71.1 MILLION LBS FOR UK, CANADA AND BELIZE, WHO WERE UNWILLING TO CONCLUDE A VRA, QUANTITY AVAILABLE FOR IMPORTS FROM AUSTRALIA WOULD BE 624.5 MILLION LBS DETERMINED ON SAME BASES AS IN 1975. (FULL BREAKDOWN OF PROGRAM ALLOCATIONS BY COUNTRY SENT SEPTTEL.)

4. KATZ EXPLAINED THAT US PROPOSED TWO CHANGES FROM 1975 AGREEMENT:

A. US WOULD USE ONLY CUSTOMS DATA IN ADMINISTERING 1976 PROGRAM. WE HAVE CHOSEN CUSTOMS RATHER THAN CONTINUE USE OF DATA FROM CENSUS, BECAUSE THEY CAN BE REPORTED ON A WEEKLY BASIS TO ASSIST IN CLOSELY MONITORING IMPORTS; CENSUS DATA ARE AVAILABLE MONTHLY.

B. US PROPOSES TO ADOPT A REGIONAL APPROACH TO ALLOCATION OF SHORTFALLS IN EXPORT ENTITLEMENTS UNDER WHICH ANY SHORTFALLS OCCURRING AMONG NINE LATIN AMERICAN PARTICIPANTS WOULD BE AVAILABLE FIRST WITHIN THAT GROUP SO LONG AS ANY MEMBER COULD SUPPLY ADDITIONAL MEAT. THIS PROVISION IS INTENDED TO ACCOMMODATE SPECIAL NEEDS OF LATIN EXPORTERS.

5. IN RESPONDING, SMITH FIRST CONFIRMED THAT 1976 ALLOCATIONS AGAIN REFLECTED ADVANTAGEOUS TREATMENT GIVEN LIMITED OFFICIAL USE

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CENTRAL AMERICAN SUPPLIERS IN 1975 AND THEN OBJECTED TO CONTINUING THAT TREATMENT IN 1976 AND ADDING REGIONAL SHORTFALL ALLOCATION SCHEME THAT FURTHER WORKED TO AUSTRALIA'S DISADVANTAGE. SMITH ALSO OBJECTED TO 13 MILLION LB CUSHION AS TOO HIGH (HE THOUGHT 6 MILLION LBS "ABOUT RIGHT") AND TO 70 MILLION LB PROVISION FOR CANADA. SMITH ARGUED THAT AMOUNT AUSTRALIA COULD EXPORT TO US SHOULD BE LARGER AND THAT THIS COULD BE ACHIEVED BY ALLOW-

ING MEAT IMPORTS IN EXCESS OF TRIGGER LEVEL UNDER
PRESIDENTIAL ACTION SUSPENDING QUOTAS. HE CITED MARKET
ESTIMATES INDICATING GROWING US DEMAND AND UPWARD PRICE
PRESSURE ON MEAT.

6. KATZ REPLIED THAT REGIONAL ALLOCATION OF SHORTFALLS
WITHIN LATIN AMERICA WAS ESSENTIAL AND WAS A POSITION
TAKEN AT THE SECRETARY'S DIRECTION AFTER THOROUGH CON-
SIDERATION OF ALTERNATIVES. THE CUSHION HAD TO BE
AROUND 13 MILLION LBS TO ENABLE US TO ADMINISTER THE
PROGRAM AS INTENDED UNDER THE MEAT ACT. THE PROVISION
FOR CANADA WAS BASED ON OUR BEST ESTIMATE OF CANADIAN
MEAT EXPORTS TO THE US AND THE REFUSAL BY CANADA, AS IN
PREVIOUS YEARS, TO NEGOTIATE A VRA. FURTHER, THE UPPER
LIMIT HAD ALREADY BEEN DETERMINED BY THE PRESIDENT TO
BE THE TRIGGER LEVEL. BARRING UNFORESEEN MARKET DEVELOP-
MENTS, THIS DECISION WOULD NOT BE REVIEWED.

7. SMITH FURTHER EXPLAINED AUSTRALIAN CONCERN OVER
CANADIAN POSITION. NOT ONLY DID CANADA PRE-EMPT A LARGE
SHARE OF IMPORTS, BUT THERE WAS A DANGER THAT, IN THE
ABSENCE OF VRA, IT COULD EXCEED THE US IMPORT ESTIMATE
CAUSING OFFSETTING REDUCTIONS TO BE MADE IN THE AMOUNT
OF MEAT SHIPPED BY VRA PARTICIPANTS. HE ASKED THAT US
CONSIDER PLEDGING IN VRA WITH AUSTRALIA TO CONSULT WITH
CANADA ABOUT VOLUME OF CANADIAN EXPORTS IF IT APPEARED
THAT 70 MILLION LB ESTIMATE WOULD BE EXCEEDED. KATZ
AGREED TO CONSIDER THIS PROPOSAL.

8. KATZ REQUESTED AUSTRALIAN REPLY TO PROPOSAL AS SOON
AS POSSIBLE, SINCE IT WAS NECESSARY TO COMPLETE AGREEMENTS
BEFORE NEXT IMPORT ESTIMATE DUE TO BE ISSUED BY USDA AT
END OF MARCH. SMITH SAID HE WOULD REFER US PROPOSAL
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FOR MINISTERIAL CONSIDERATION AND WOULD CONVEY REPLY AS
SOON AS IT WAS RECEIVED. KISSINGER

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